IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

Compression Labs, Incorporated,

Plaintiff,

v.

1. Agfa Corporation,
2. Apple Computer, Incorporated,
3. Axis Communications, Incorporated,
4. Canon USA, Incorporated,
5. Concord Camera Corporation,
6. Creative Labs, Incorporated,
7. Eastman Kodak Company,
8. Fuji Photo Film U.S.A.,
9. Fujitsu Computer Products of America, Inc.
10. Gateway, Incorporated,
11. Hewlett-Packard Company,
12. JASC Software,
13. JVC Americas Corporation,
14. Kyocera Wireless Corporation,
15. Matsushita Electric Corporation of America,
16. Mitsubishi Digital Electronics America, Incorporated,
17. Océ North America, Incorporated,
18. Onkyo U.S.A. Corporation,
19. PalmOne, Incorporated,
20. Panasonic Communications Corporation of America,
21. Panasonic Mobile Communications Development Corporation of USA,
22. Ricoh Corporation,
23. Riverdeep, Incorporated (d.b.a. Broderbund),
24. Savin Corporation,
25. Thomson, Incorporated, and
26. Xerox Corporation,

Defendants.

C.A. No. 2:04-CV-158 DF

DEFENDANTS' UNOPPOSED MOTION FOR LEAVE TO FILE RESPONSE TO SUPPLEMENTAL SURREPLY IN OPPOSITION TO DEFENDANTS' MOTION TO DISMISS UNDER FED. R. CIV. P. 12(b)(7) OR, IN THE ALTERNATIVE, MOTION TO TRANSFER

The undersigned Defendants (collectively "Defendants") respectfully submit this Motion for Leave to File Response to Supplemental Surreply in Opposition to Defendants' Motion to Dismiss Under Fed. R. Civ. P. 12(b)(7) or, in the Alternative, Motion to Transfer. Plaintiff Compression Labs, Inc. ("CLI") consented to Defendants' filing of such a response when Defendants agreed not to oppose CLI's motion for leave to file its supplemental surreply. Defendants' Response is necessary to address the new matter raised in CLI's supplemental surreply.

RESPONSE TO SUPPLEMENTAL SURREPLY

I. THE BELATED ASSIGNMENT FROM GI TO CLI CANNOT ALTER THE FACT THAT THE DELAWARE ACTION IS THE FIRST-FILED CASE.

When CLI filed its complaint in this action, it was not the sole owner of the patent-in-suit. Despite the well-established rule requiring joinder of all co-owners of the patent-in-suit, CLI chose not to join its co-owner, General Instrument Corp. ("GI"). CLI's decision not to join GI rendered this lawsuit defective as a matter of substantive patent law. *See, e.g., Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456, 1467 (Fed. Cir. 1998); *Int'l. Nutrition Co. v. Horphag Research Ltd.*, 257 F.3d 1324, 1331 (Fed. Cir. 2001). An action filed by many Defendants in Delaware in July 2004 (the "Delaware Action") is the first case to have joined all co-owners of the patent-in-suit. Accordingly, the Delaware Action is the first properly-filed case and has priority over the instant lawsuit.

Because CLI cannot claim a good-faith mistake in its failure to join GI, it instead attempts to rescue this lawsuit by obtaining a purported assignment of GI's patent rights. By doing so, CLI has tacitly acknowledged that it brought this lawsuit improperly by failing to join GI in the first instance. The entire basis of CLI's supplemental surreply is that "Defendants' motion [to dismiss or transfer] should be denied because GI is no longer a co-owner of the

patent-in-suit" by virtue of the October 6, 2004, purported assignment. (Supplemental Surreply at pp. 1-5.) But even granting CLI's premise that GI is no longer a necessary party to this patent dispute, CLI's maneuvers cannot alter the fact that, for the reasons given in Defendants' earlier briefs, the Delaware Action was the first properly-filed case in this litigation. *See Gaia Techs., Inc. v. Reconversion Techs., Inc.*, 93 F.3d 774, 779 (Fed. Cir. 1996) (holding that patent assignment executed after plaintiff filed infringement suit was insufficient "to confer standing on [plaintiff] retroactively"). CLI should not be able to profit from its tactical decision to ignore the requirements of substantive patent law by belatedly obtaining first-filed preference for its improperly-brought lawsuit. *See, e.g., PE Corp. v. Affymetrix, Inc.*, C.A. No. 00-629-SLR, 2001 WL 1180280 (Sept. 27, 2001) (finding it "illogical to essentially determine the proper forum for th[e] litigation based on the fact that the patent owner filed suit in Delaware first, when the patent owner did not have the right to file suit at all.").

Indeed, none of the cases cited by CLI supports its position. For example, CLI cites *IBM v. Conner Peripherals, Inc.*, 30 U.S.P.Q.2d 1315, 1319 (N.D. Cal. 1994), for the proposition that "[c]o-owners may avoid the inconvenience or undesirability of the joinder rule by structuring their interests so that one party is no longer an owner." (Supplemental Surreply at p. 3 (internal quotation marks omitted).) But nothing in *Conner Peripherals* even suggests that such a belated structuring of interests can retroactively confer first-filed status on an improperly-brought lawsuit. 30 U.S.P.Q.2d 1315. To the contrary, *Conner Peripherals* confirms that "[a]ll co-owners of a patent *must join in bringing* a suit for infringement." *Id.* at 1317 (emphasis added). CLI could have joined GI or structured its interests to avoid the joinder rule before the filing of the Delaware Action. Because CLI chose not to do so, it has no claim to first-filed preference for this lawsuit.

In *E-Z Bowz, L.L.C. v. Professional Prod. Research Co.*, cited at page 4 of the supplemental surreply, the question was whether the co-owner of the patents-in-suit might remain an indispensable party once she had assigned her entire interest in the patents. No. 00-Civ-8670, 2003 WL 22064257, at *3-5 (S.D.N.Y. Sept. 5, 2003) The court ruled that the former co-owner was not an indispensable party even though the assignment post-dated the filing of the suit because the present indispensability of a party is based on the current state of affairs. 2003 WL 22064257, at *4-5. *E-Z Bowz* is thus premised on the requirement that all patent co-owners must join an infringement suit and merely addresses the proper treatment of a former co-owner after complete divestment of her ownership interest. It does not address whether a lawsuit, like the one here, that was improperly filed at the outset can be accorded first-filed preference based on a belated assignment. Other cases that CLI cites are to the same effect. *See, e.g., Procter & Gamble Co. v. Kimberly-Clark Corp.*, 684 F. Supp. 1403 (N.D. Tex. 1987); *Biovail Labs., Inc. v. Torpharm, Inc.*, No. 01 C 9008, 2002 WL 31687610 (N.D. Ill. Nov. 26, 2002); *Rawlings v. Nat'l Molasses Co.*, 394 F.2d 645 (9th Cir. 1968) (cited in Supplemental Reply at pp. 4-5). CLI's efforts to show that GI no longer is a necessary party simply demonstrate that CLI's lawsuit was improperly filed in the first place.

II. CONCLUSION.

Because CLI chose not to join GI before the filing of the Delaware Action, the Delaware Action is entitled to first-filed preference. GI's purported assignment of its patent ownership rights to CLI cannot change that fact. This action thus should be dismissed. In the alternative, for these reasons and for the independent reasons given in Defendants' earlier briefs, Defendants ask this Court to transfer this case to the District of Delaware.

Dated: November 4, 2004

Respectfully submitted on behalf of all Defendants,

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CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing document was filed electronically in compliance with Local Rule CV-5(a). As such, this motion was served on all counsel who are deemed to have consented to electronic service. Local Rule CV-5(a)(3)(A). Pursuant to Fed. R. Civ. P. 5(d) and Local Rule CV-5(e), all other counsel of record not deemed to have consented to electronic service were served with a true and correct copy of the foregoing by certified mail, return receipt requested, on this the 4th day of November, 2004.

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